

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 SSO-00 NSCE-00 USIE-00 INRE-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00

NSC-05 OMB-01 PM-04 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 IGA-01 /086 W

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O 121749Z NOV 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 868

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E.O. 11652: N/A

TAGS: ENRG, PFOR, VE

SUBJECT: CREOLE SIGNS FORMAL COMPENSATION AGREEMENT

REF CARACAS 11240

BEGIN UNCLASSIFIED:

1. SUMMARY: CREOLE SIGNED ITS FORMAL COMPENSATION AGREEMENT WITH THE GOV ATTORNEY GENERAL ON NOV 11. THE COMPANY WILL RECEIVE BS 1.998 BILLION IN TOTAL COMPENSATION, OF WHICH BS 300 MILLION FOR MATERIAL INVENTORY WILL BE PAID IN CASH AND THE REMAINDER FOR FIXED ASSETS IN FIVE-YEAR STATE BONDS. THE GOV ANNOUNCED THAT FORMAL AGREEMENTS ARE NOW READY FOR ALL CONCESSIONAIRES AND WILL BE SENT TO THE ATTORNEY GENERAL ON NOV 12. END SUMMARY.

2. CREOLE PETROLEUM COMPANY BECAME THE FIRST OIL CONCESSIONAIRE TO SIGN THE FORMAL COMPENSATION AGREEMENT (ACTA DE AVENIMIENTO) FOR ITS ASSETS WHICH WILL PASS TO THE STATE ON JAN 1, 1976. IN A ONE-HOUR EVENING
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SESSION ON NOV 11, THE GOV ATTORNEY GENERAL,

EDUARDO RAMIREZ LOPEZ, AND CREOLE PRESIDENT, ROBERT DOLPH, SIGNED THE FORMAL ACTA AND INITIALED EACH PAGE OF A REPORTED 3,000 PAGES OF ANNEXES WHICH LISTED THE INVENTORY OF COMPANY ASSETS.

3. THE ACTA COVERED COMPENSATION TOTALING BS1.998 BILLION (\$476 MILLION CONVERTED AT THE PETROLEUM DOLLAR RATE OF 4.20). OF THE TOTAL, BS 300 MILLION IS FOR MATERIAL INVENTORY AND WILL BE PAID IN CASH IN THREE TRanches DURING THE MONTHS JAN, FEB, AND MAR, 1976. THE COMPENSATION FOR FIXED ASSETS, BS 1.698 BILLION, WILL BE PAID IN STATE BONDS OVER FIVE YEARS. THE BONDS WILL PAY 6 PERCENT INTEREST. OIL INVENTORY AS OF DEC 31, 1975 WILL BE SEPARATELY AND ADDITIONALLY COMPENSATED.

4. IT WAS ANNOUNCED THAT THE MINES MINISTRY WILL SEND THE ACTAS FOR ALL THE OTHER COMPANIES TO THE ATTORNEY GENERAL TODAY, NOV 12, WHERE HE WILL MAKE THE FINAL PREPARATIONS AND CALL THE COMPANIES IN TO SIGN. CREOL'S SIGNED ACTA WAS RETURNED TO THE MINES MINISTRY AND IS EXPECTED TO BE SENT TO CONGRESS THIS WEEK FOR APPROVAL BEFORE A JOINT SESSION OF BOTH HOUSES. END UNCLASSIFIED.

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5. THE CREOLE ACTA CONSISTED OF AN 8 PAGE AGREEMENT AND 4 ANNEXES. THREE OF THE ANNEXES WERE SHORT, BUT THE FOURTH CONSISTED OF THREE IBM RUNS OF ALL THE COMPANY ASSETS. ACCORDING TO A CREOLE DIRECTOR, THERE WERE PROBABLY MORE THAN 3,000 PAGES, AND THE ATTORNEY GENERAL INSISTED THAT EACH PAGE BE INITIALED. THE ACTA WAS IDENTICAL TO THE OFFER MADE BY THE GOV ON OCT 13. ALTHOUGH CREOLE STATED SOME RESERVATIONS IN ITS ACCEPTANCE OF THE OFFER ON OCT 28, THE COMPANY DID NOT ATTEMPT TO INCLUDE THESE RESERVATIONS IN THE FORMAL ACTA. ACCORDING TO THE SAME DIRECTOR, CREOLE REALIZED THAT THE ATTORNEY GENERAL WOULD NOT HAVE SIGNED AN ACTA WHICH INCLUDED SUCH RESERVATIONS. CREOLE DID SUGGEST SPECIFIC WORDING ON THE SECTION OF THE ACTA REFERRING TO THE COMPENSATION BONDS, HE SAID, AND SOME OF THE COMPANY'S SUGGESTED WORDING WAS INCORPORATED.

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6. THE MINES MINISTRY REVERSION DIRECTOR TOLD THE PERTOLEUM ATTACHE ON NOV 11 THAT ALL ACTAS ARE READY FOR SIGNATURE. HE SAID THAT THERE ARE STILL SOME PROBLEMS WITH THE FIGURES FOR SUN, CHARTER AND THE THREE TEXACO CONCESSIONS, BUT THAT THESE ACTAS WILL BE SIGNED ALONG WITH THE OTHERS ON THE UNDERSTANDING THAT APPROPRIATE ADJUSTMENTS WILL BE MADE IN THE FIGURES WHEN

THE FINAL ACCOUNTING IS DONE IN APR 1976. INDUSTRY
SOURCES BELIEVE THAT ALL COMPANIES WILL SIGN THE ACTAS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, COMPENSATION
Control Number: n/a
Copy: SINGLE
Draft Date: 12 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA11744
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750394-0026
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751151/aaaabtqr.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 CARACAS 11240
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 SEP 2003 by RowellE0>; APPROVED <30 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CREOLE SIGNS FORMAL COMPENSATION AGREEMENT
TAGS: ENRG, PFOR, EINV, VE, CREOLE PETROLEUM CO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006